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TAGS: ECON PGOV PREL NU

SUBJECT: ECONOMIC IMPLICATIONS OF "CUADERNO SANDINISTA, NO.1"

REF: A) MANAGUA 1621, B) MANAGUA 1622

**¶11. (SBU)** Summary. "Cuaderno Sandinista No. 1," a propaganda piece produced by the FSLN Department of Political Education, claims to outline a new plan of reconciliation and national unity for Nicaragua. The plan is anchored by three pillars: improving the well-being of citizens, equitable economic development, and social transformation. From an economic perspective, the document focuses on fostering growth among small- and medium-sized producers in the agro-industrial sector, all while promising to respect private property and encourage foreign investment. The Cuaderno ("copy book") also envisages intervention in key economic sectors such as energy and "disruption" of the current tax structure. Even if the GON does not follow through on these pledges, the persistent use of highly-charged rhetoric could frighten away potential investors from what they perceive to be an uncertain business environment. End summary.

The Cuaderno Sounds Familiar

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**¶12. (SBU)** On June 11, the embassy received a copy of "Cuaderno Sandinista No. 1" from the FSLN Department of Political Education. It was presented as a "document of consultation and debate" that seeks to generate dialogue about the "New Sandinista Project." The Department of Political Education claims that such "cuadernos" will be released periodically so that the Nicaraguan people can remain informed on the government's progress. This effort appears to be a reincarnation of the work of the Department of Propaganda and Political Education, which published numerous articles and books on FSLN history and ideology during the first Sandinista regime. The name "Cuaderno Sandinista" is reminiscent of the "Cuaderno de Educacion Sandinista" that the FSLN distributed as part of its mass literacy campaign in the 1980s.

Three Pillars

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**¶13. (SBU)** The document outlines a new "plan of reconciliation and national unity," one that it alleges is distinct from the "neoliberal project" of recent years as well as the Sandinista regime of the 1980s. The plan is anchored by three "pillars" (versus the five presented in reftel A): improving the well-being of citizens through the provision of basic services, equitable economic development through agro-industrial growth, and social transformation through participative democracy and the creation of community councils. The document proposes an immediate action plan for the project's first trimester (identified as May - July 2007) that consists of a series of national propaganda seminars to be replicated at the departmental and district level.

**¶4.** (SBU) The document focuses on the need to foster equitable economic growth in the agro-industrial sector, with an emphasis on small- and medium-sized producers. It proposes replacing the current system of "vertical accumulation," in which all stages of production and distribution are controlled by a "privileged elite," with a system of "horizontal accumulation" that will protect the private property of individual producers while encouraging collective channels of distribution. The document contends that the FSLN is interested in foreign investment from large corporations, but only so long as these firms respect labor rights, take adequate environmental protection measures, contribute to national income taxes, and promote the agro-industrialization of the economy.

**¶5.** (SBU) The document discusses the need for state intervention in the most strategic sectors of the economy, identified as energy and construction. It also contends that many public services must be re-nationalized and ongoing and future privatization must be stopped. Additionally, the document discusses the need to "disrupt" the Nicaraguan tax system to create a more progressive structure. It argues that the rise of globalization has necessitated the integration of the region's economies, but only specifically mentions Cuba and Venezuela as economic forces with which the FSLN has joined in solidarity (through the Bolivarian Alternative for the Americas, or ALBA).

Comment

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**¶6.** (SBU) It is unclear who is the target audience for this tract or how frequently similar "cuadernos" will be published. The document consists primarily of the standard FSLN political and ideological rhetoric and lays out few concrete plans for accomplishing its lofty goals. The FSLN claims that it will "protect private property," while simultaneously ranting about the "savage capitalist system," asserting that it will prioritize the "popular economic bloc," and endorsing state intervention in key economic sectors. Although Ortega often employs similar inflammatory language in his public speeches, the GON has yet to convert rhetoric into policy. Meanwhile, the moderate regular statements and policy pronouncements of the VP, President of the Central Bank, and other GON economic policy makers contradict the rhetoric framework of the Cuaderno. However, even if the GON does not follow through on the three "pillars," the persistent use of such highly-charged rhetoric by Ortega could frighten away potential investors from what they perceive to be an uncertain business environment. End comment.

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